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NRO REVIEW COMPLETED

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Copy 1 of 10

12 AUG 1966

MEMORANDUM FOR: Acting Deputy Director of Science and Technology

SUBJECT: Funding Status of the KEMPSTER A Program

1. This memorandum contains recommendations for the approval of the Acting Deputy Director of Science and Technology. Such recommendations are contained in paragraph 8.

2. Following the presentation as made by [] personnel on 1 August 1966 further discussions have been had and an in-house meeting held on 3 August attended by cognizant OSA and OEL personnel to discuss the future of this program. This memorandum is written to advise you of tentative conclusions and suggested courses of action.

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4. The question first to be determined was whether continuance of the program with the required [] in funding was technically and programatically worthwhile. In this regard the consensus of those present at the 3 August meeting was that the program should continue if the additional funding is available. Contracting Officer's personnel were of the opinion that considerable sensitivity surrounded the methodology and procedure of going forward with the program, they being of the opinion that the original contract as negotiated should be maintained intact without permitting the Contractor to unduly claim Government

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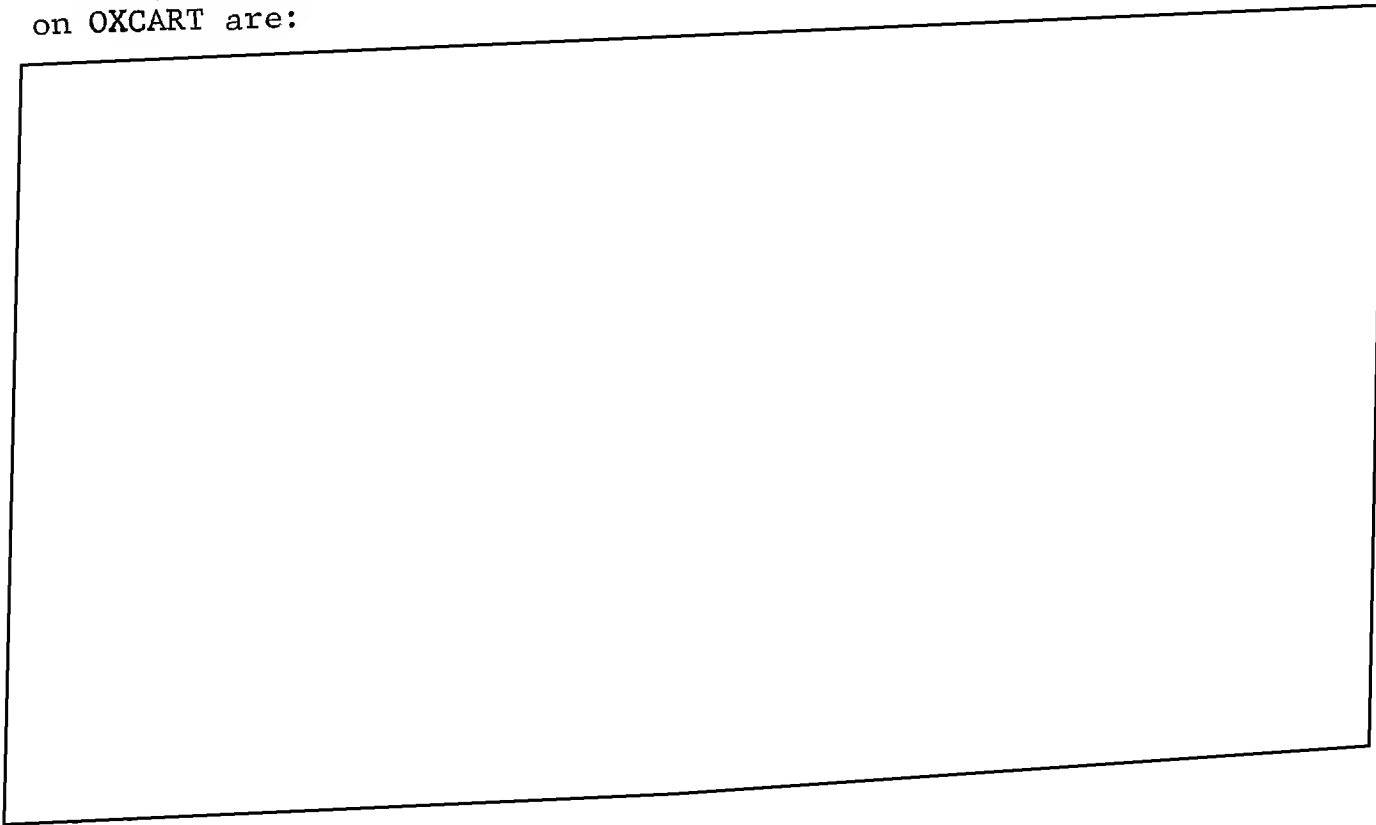
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redirection of the program, inasmuch as the Contractor (because of overrun costs and slippage in delivery) has thus far incurred incentive penalties to the extent that Contractor probably cannot hope to retain more than [redacted] profit. 25X1
Therefore, the Contracting Officer's suggestion was that if additional funds are made available that the Contractor be instructed to continue work under the contract as originally described and under the original contract provisions including incentive awards and penalties, with concurrent notice being given to the Contractor that the [redacted] in funding is presumed to be "overrun" costs unless and to the extent that the Contractor can reasonably demonstrate applicability of bona fide changes (net additional work) to the original Work Scope. 25X1

5. Contractually it was felt that if any work is deferred it should be done at Contractor's election and not at the Government's direction. If the Government directs a stretch-out it could at best thereby conserve or save [redacted] 25X1
In the event of such redirection, the Contractor would most certainly claim that it was "off the hook" for practically any 25X1
and all original contract provisions and performance requirements.

6. The immediate reasons for developing KEMPSTER A for use on OXCART are:



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7. Technically, the present program for the development of operational prototypes is recognized as a very difficult problem. It is no small effort to package the equipment down to half the space and two-thirds the weight of the experimental predecessors. Further, the Agency is trail blazing in exploiting this technological break through [redacted] 25X1 as there is no other known program of its kind. Lastly, there will undoubtedly be other applications for the technique beyond the present OXCART program.

8. The 3 August OSA/OEL "working group" therefore concludes and recommends for your approval:

- (a) That the Contractor be directed to continue work under the KEMPSTER A contract as presently negotiated with the firm understanding that the Government will provide additional necessary funding not to exceed [redacted] 25X1
- (b) That the additional [redacted] 25X1 funds be sought from the 1967 NRO Budget allocation for KEMPSTER B.

[redacted] 25X1

JOHN PARANGOSKY

Deputy Director of Special Activities

CONCUR:

[redacted]

f Director of ELINT

The recommendations contained in paragraph 8 are approved:

Not approved

Acting Deputy Director of Science
and Technology

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